

Soviet Foreign Trade and the Seven Year Plan

Soviet foreign trade, which in 1958 amounted to more than \$8 billion, has been growing at a more rapid rate than that of total output for the past five years. While Soviet trade with the West accounts for only one-quarter of total foreign trade, it has expanded even more rapidly since 1953 than has total foreign trade. Historically the USSR has relied on the West for technology embodied in imports of industrial machinery and equipment. During the first Five-Year Plan (1929-34) one-third to one-half of total world exports of machinery and equipment went to the USSR and imports from the West (constant prices) rose to a peak which has since only been exceeded during the years of lend-lease shipments. After that huge influx, Soviet trade with the West declined precipitously.

Once again today Soviet representatives are talking of huge imports of machinery and equipment from the West -- up to \$2 billions during the next few years. Khrushchev has also added that it will be necessary for the West to grant credits to the USSR if they want Soviet orders of this scale. Soviet purchasing missions have been touring Western Europe, and are now in the U.S., negotiating for equipment for the chemical, metallurgical and electronics industries. Certain goals of the Seven Year Plan for these industries probably cannot be achieved without imports. While the bulk of this imported equipment will come from the European Satellites, roughly 30 percent is likely to be sought in the West, and for certain types of machinery -- high-speed rolling mills and equipment for the petrochemical industry, for example -- the West is the only source.

- 2 -

The USSR historically has paid for imports from the West by exports of grains, lumber, non-ferrous metals and gold. Soviet gold exports have been used to make up the difference between imports and other Soviet exports.

Questions on Soviet Trade

1. Western exporters and importers seek long-term markets and sources of supply; how can they be sure that the current high level of Soviet orders, and the current large volume of Soviet offerings of certain materials, are here to stay, and that they will not fall back to previous low levels, once the Seven Year Plan is completed, as happened after the First Five Year Plan.
2. M. R. Kuzmin, Deputy Minister of Foreign Trade, recently stated that the Seven Year Plan (1959-65) "will be accomplished by utilizing the country's internal resources, and those persons who think that we shall not be able to fulfill this plan through our own efforts are deeply mistaken." If Mr. Kuzmin's statement is true, why the great Soviet emphasis on increased trade with the West? Why the emphasis on credits?
3. In the past, when the USSR could not sell sufficient exports to pay for essential imports from the Free World, it sold sizable quantities of gold. Why cannot the USSR again use gold for essential Seven Year Plan purchases, instead of trying to obtain credits?
4. How will the program for integrating Bloc economies affect Soviet trade with the West? Will the USSR's needs in the future be met entirely, or almost entirely, by exports from the European Satellites and Communist China?